

HMG white paper on future UK trade policy

LGA Response

November 2017



About the Local Government Association

1. The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government. We are a politically-led, cross-party organisation, which works on behalf of councils to ensure local government has a strong, credible voice with national government.
2. We aim to influence and set the political agenda on issues that matter to councils so they are able to deliver local solutions to national problems. The LGA covers every part of England and Wales, supporting local government as the most efficient and accountable part of the public sector.
3. There was a diversity of views among local government about Britain's membership of the EU. To reflect this, the LGA remained neutral during and following the referendum of 23 June 2016.
4. **This response follows the Government's position in assuming the UK will exit the EU without continued membership of the single market or the customs union¹.** The LGA also acknowledges that other scenarios are possible, subject to the negotiations and is working with partners to understand the risks and opportunities of all eventualities.

Trade deals and local public services

5. We welcome the references in the white paper² to the importance of involving local government in the development of the UK's trade policy. The position of public services within trade deals, local government's ability to support businesses and also attract inward investment are an important focus, in addition to the wider questions about the impacts of trade policy on businesses and local employment generally.
6. We note that government may need to conclude at least 56 free trade agreements (FTAs) with countries across the world in order to maintain the status quo as achieved through EU membership. We also note that government plans new trade deals with the EU itself, the US, Australia and many other partners globally.
7. Local government recognises the importance of having ongoing reciprocal access post-Brexit to public procurement markets within the EU. This gives UK local businesses the opportunity to sell their goods and services widely³. Councils also recognise the significant free trade benefits that future trade deals could bring, which go above-and-beyond the EU's current trading relationships,

¹ <https://www.gov.uk/government/speeches/pms-florence-speech-a-new-era-of-cooperation-and-partnership-between-the-uk-and-the-eu>, Prime Minister Theresa May's Florence Speech, September 2017

² <https://www.gov.uk/government/publications/preparing-for-our-future-uk-trade-policy>, HMG, October 2017.

³ Despite a high degree of liberalisation of public procurement markets within the EU, in practice, relatively few public contracts across the EU (3.5% by value in 2017) are in fact awarded to companies solely based in other member states, i.e. without a UK subsidiary.

Submission

8. In any renewed arrangements concerning access to public procurement markets, new elements of local flexibility are also important. Exiting the EU offers an opportunity to do things differently. In particular, new flexibilities allowing a degree of focus on local employment and local SMEs in public contracts would allow councils to better support their local economies. Whilst supporting local economies was sometimes limited by EU procurement procedures, a new approach based on the less prescriptive WTO Government Procurement Agreement should be built into future trade agreements.
9. **A big concern for councils is also to ensure that future FTAs, which go beyond the status quo, can be realised without detrimental impacts to local public services.**
10. For example, as Britain reestablishes its trade relationships with the rest of world there should be much learning from the now stalled negotiations on the EU-US trade deal (TTIP)⁴. We need to build upon that experience and ensure that local communities' needs and concerns are understood and clearly addressed from the start in such negotiations.
11. There must be clear and specific safeguards for services delivered by councils, including education and social services. For example, the approach under TTIP during 2015-2016 raised certain concerns for councils. In this case, there were only belated assurances that certain public services sectors would be excluded in the final deal. We must learn from this and ensure that such assurances in future are supported by clearly drafted measures written into the negotiating texts themselves from the outset.
12. The LGA stresses the continued right for councils to democratically determine their own service delivery models now and in the future. In particular, a further opening of procurement markets should not be coupled with any reduction in standards of service.
13. There must be continued rights for government and councils to set public policy and standards in all fields: health, safety, environmental protection, labour law, data protection, consumer protection, etc.
14. There must be a levelling-up rather than a levelling-down of common goods and services standards when the UK concludes a trade deal with a global partner.
15. There must be the fullest transparency in the negotiating process itself including local government representation in the negotiations. This should be achieved via a new arrangement post-exit to give local government a formal role in the legislative process including relevant treaties.⁵ Local government can add considerable value due to its established relationships with trading cities across the world which bring investment into the UK, and open up markets for UK businesses. A few recent examples include:
 - 15.1. Birmingham City Council and the Midlands' strong trade ties with China, with outbound trade missions to India (automotive) and Silicon Valley (games software).
 - 15.2. Liverpool Vision's 2016 International Business Festival supported 500 UK businesses to secure export sales amounting to £87m and attracted approximately £22m of private sector investment.
 - 15.3. Essex County Council's links with Jiangsu province in China, with an office in Nanjing cementing trading relationships.
 - 15.4. 'Invest in Cornwall' has helped to secure important reinvestment from Australia in the renewables sector (with the support of EU funds).

⁴ Negotiations during 2015 and 2016 on the EU-US TTIP trade deal have currently stalled, although an EU-Canada trade deal (CETA) was recently agreed.

⁵ A right it currently has at the EU level through the EU Committee of the Regions for example. LGA is working on proposals for a successor arrangement within the UK.

- 15.5. The LGA facilitated discussions between UK local government and representatives from five Mexican State and Municipal Governments on sustainable development practice, with a view to promoting Mexico-UK trading links in the waste management sector.
16. A further learning point from the TTIP negotiations during 2014-2016, was that HMG should conduct an impact assessment as to what any proposed trade deals mean for public services at the local and national levels. The potential impact on both state-funded and private social care providers for example was not well communicated to the sector. The LGA is happy to help with such a local impact assessment in future. Impacts will be different in different places and we must ensure that new trade opportunities lead to genuine improvements for local communities.
17. We also note the proposal for a new 'UK trade remedies investigating authority'. We question whether the proposed dispute resolution mechanism should bypass the traditional courts. It must be designed in a balanced way so as to limit undue private litigation against public authorities. Government must present evidence that new structures would provide benefits over the existing judicial system. This is especially the case if new UK regulators are to be created (or existing ones newly-empowered) through Ministerial decision alone as part of the EU Withdrawal Bill process. Government must have an overview of the likely new burdens on local government that repatriation of regulatory processes is likely to bring.
18. We welcome the continued membership post-exit of the World Trade Organisation's Government Procurement Agreement (GPA). Being a lighter framework than the EU public procurement Directives it could offer councils a new degree of flexibility to support local contractors, local SMEs, and local employment within their public contracts whilst still ensuring value for money.

Local government as a trade facilitator

19. Councils play a vital role supporting businesses to export and attract international investment into local areas. This aspect is not considered in the white paper. Local authorities leverage their unique proximity to local markets, businesses and investors, as well as their understanding of local assets, investment priorities, and opportunities to cut across trade and investment support services and provide a joined up 'one stop shop' approach to investment activities at a local level.
20. As part of their wider role to drive economic growth, councils partner with local stakeholders and the private sector to establish 'Locate to' and 'Invest in' agencies to better evidence their local offer to international investors. They also signpost to local, regional and national export support services working in partnership with Local Enterprise Partnerships and local Growth Hubs (in England) to best serve local businesses.
21. Councils have a long track record of building successful European and international relationships. In recent years, these have secured trade and investment, boosted jobs and infrastructure and helped attract visitors up and down the country. For example:
- 21.1. Essex International, the international trade arm of Essex County, has facilitated the growing connections between businesses in Essex and China, for economic growth opportunities not only for Essex but the whole East of England region.
- 21.2. Through the 'Kent International Business' programme, Kent County Council has enabled businesses to travel to mainland Europe to make contacts in different international markets through trade missions, networking and trade fair stands.
- 21.3. Make it Stoke-on-Trent & Staffordshire Inward Investment Service works on behalf of Stoke-on-Trent City Council and Staffordshire County Council to attract inward investment. Staffordshire County Council, South Staffordshire District Council and

Wolverhampton City Council, all worked closely with Jaguar Land Rover to secure a £335 million investment from owners Tata to build low-emission engines at its site in 2011. This managed to secure over 2,000 private sector jobs.

22. The LGA believes that the Government's review of trade policy is an opportunity to do things differently and better leverage the expertise of local areas:
 - 22.1. Local areas can help develop existing local relationships with international partners and forge new opportunities. Many are already playing key roles developing investment portfolios or 'pitchbooks' that showcase the local offer, sector strengths and local investment opportunities. .
 - 22.2. There are positive relationships between national and local agencies, but still further opportunity to refine strategic planning and create more flex in the system to tailor to local needs and areas' overarching identities.
 - 22.3. In this new context, we have an opportunity to rethink the targets so that our regional trade support agencies work to; prioritise value over volume, strengthen the role trade and foreign investment plays in building an economy that 'works for everyone', and further embed stronger place-based approaches to trade and investment that integrate support at a local level.
23. We welcome the opportunity to discuss with Government how to best leverage local areas unique understanding of their local markets to support our industries to export, attract investment, and drive growth and opportunity for local communities.

Wider issues for local communities

24. Finally, the impact of a 'no deal' scenario, or a deal involving tariffs, is likely to have a significant impact on local businesses which export and on those they employ from the local community.
25. The LGA has conducted a number of consultations with councils since the Brexit referendum, both online and via regional roadshow sessions across the country. The 'place-based' evidence collected from these sessions highlights the importance of trading activity to local economies. Trade with the European Union makes up a significant amount of total trading activity and as such any new trading regime would mean significant risks and opportunities for localities, depending on their economic characteristics. Any new FTAs would therefore need to acknowledge the differing impacts both across and within local authorities.